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ABSTRACT

The rapid growth of the proprietary sector in the provision of social services traditionally administered under non-profit or government auspices creates a problem and challenge for teachers of social policy. Instructors need to interpret this new trend, without much literature support, to a group of students with increasing potential for employment in for-profit organizations. For-profit agencies have become major providers of child welfare and day care services. The health care field has also seen recent growth in for-profit provision of services. Professional social workers are increasingly employed in for-profit organizations. Growth in for-profit social services is due to the following changes: (1) increased government financing of services for people previously unable to purchase them; (2) new middle class markets such as day care and nursing homes; (3) current ideologic preference for for-profit as opposed to non-profit delivery mechanisms; (4) public dissatisfaction with existing services. The issues involved include defining terms such as private sector and proprietary, and understanding delivery system choices. Ethical issues raised by the intrusion of the market into social services delivery have not been explored. The most pressing implications for teaching of social policy include content on proprietary auspices, standardization of terminology, assessing the choices in delivery structure, the health care system as an exemplar, universalism versus selectivity, need for descriptive and comparative studies, and ethics and values education. (ABL)

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PAPER: GROWTH OF THE PROPRIETARY SECTOR IN SOCIAL WELFARE:
A CHALLENGE TO THE SOCIAL POLICY CURRICULUM

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The rapid growth of the proprietary sector in the provision of social services traditionally administered under non-profit or government auspices creates a problem and challenge for teachers of social policy. Traditional conceptual and theoretical models in social policy assume that social welfare benefits and services are provided outside of market criteria and that the delivery system will be non-profit (either governmental or voluntary). Instructors are faced with interpreting this new trend without much support from texts or current periodical literature to a group of students with increasing potential for employment in for-profit organizations. This paper provides an outline of policy issues and problems related to this change, looks to the health care sector for insights, and suggests needed areas for new research and conceptualization.

GROWTH OF THE PROPRIETARY SECTOR

The large scale growth of proprietary agencies in social service delivery is a relatively recent phenomenon beginning in the 1960's and mushrooming since the early 1970's. Child welfare

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and day care are two areas where for-profit agencies have become major providers. The 1977 National Study of Social Services to Children and Their Families found that 51% of residential treatment, 48% of institutional care, and 58% of group home care financed by public child welfare agencies was provided by proprietaries. Additionally for-profit entities provided 31% of child day care and 29% of day treatment financed by public agencies. (1) The health care field has also seen considerable recent growth in for profit provision of services, with about 53% of the 23,600 long term care facilities (including nursing homes, homes for the aged. psychiatric institutions, facilities for children as well as the mentally and physically handicapped, and chronic disease hospitals) in the United States operated for-profit. (2) Within that group nursing homes have a higher rate (75%) of for-profit ownership. (3) American Hospital Association figures for 1938 showed over 11% of general hospital membership to be investor owned (for profit)(4). Additionally, an increasing number of non-profit hospitals are managed by proprietary corporations. Hospitals and health care have become big business, as evidenced by the March 1985 announcement of a merger between Hospital Corporation of America (HCA) and the American Hospital Supply Company creating a corporation with $7 billion in assets and 20,000 employees worldwide, according to the company. HCA is the largest owner/ manager of hospital facilities in the United States, with 422 hospitals operating 76,000 beds.(5) In the 1980's for-profit agencies have also become firmly entrenched as providers of home

health services, homemaker and chore services, and in many other community services focussed on the aged and disabled.

Understandably, given these trends, professional social workers are increasingly employed under for-profit auspices although reliable data describing this shift is not yet available. In the 1985 survey of National Association of Social Workers membership (6), 12.31% of all members responding reported primary employment in a for-profit context and 63.29% reported secondary employment for-profit. In California 17.03% of membership reported primary employment in a for profit context. However solo or group private practice accounted for most of the for profit employment reported nationally (10.91% of primary jobs and 55.57% of secondary employment) leaving a reported employment in for-profit institutions other than private practice at only 1.4% for primary employment and only 7.72% for second jobs. Considering that 59.41% of all respondents reported their current employment practice area as either mental health, health, or children and youth services, (for which figures on proprietary provision are given above) there seems to be a disparity. Individual employment does not appear to coincide with the institutional employment figure. Possible reasons for the disparity include the possibility that NASW membership is skewed to over-represent private practioners and/or to under-represent employees of forprofit organizations, or that for-profit organizations employ proportionately fewer social workers than nonprofits.

While the literature does not yet address the issue, in recent years, teachers of graduate and undergraduate social policy have noted a severe lack of awareness and sophistication in social work students with regard to the auspices of institutional structures for service delivery. Numerous students have accepted jobs after graduation with "private" agencies, not knowing if the agency was for-profit or not. Regrettably, the occasional field instructor has not been clear on the auspices of his/her agency. This serious gap in student knowledge was one of the instigating factors for the development of this paper.

CONTENT ON AUSPICES IN THE SOCIAL POLICY CURRICULUM

The social policy curriculum is concerned with description of the institutional arrangements for financing and delivery of social welfare, the understanding of how society identifies and defines social problems and responds to them through social welfare provision, the study of policy process and implementation, and the teaching of methods and skills needed to formulate and analyze social policies. Social welfare institutions have traditionally been dominated by nonprofit(voluntary) and governmental auspices; it is only in recent years that for-profit structures have become numerous enough to command the attention of the field.

Historically, the domain of social welfare was the care and support of impoverished and helpless persons, and arrangements to provide for these groups were the responsibility of two kinds of institutions: government (at several levels) and charitable/

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philanthropic organizations. There is, however, historical precedent for proprietary approaches, which goes back to the English poorhouses of the 18th century which were in some localities provided by private contractors. (7) In addition the contracting of the care of individual impoverished children and adults to the lowest bidder has a long history.(8) A small profitmaking sector in social welfare has always been with us, but the initiation of massive social programs financed by government since the 1930's, and the expanded use of contracting with the private sector in the 70's has provided opportunities for rapid proprietary growth in recent years.

Classic social policy texts, for example Gilbert and Specht's DIMENSIONS OF SOCIAL POLICY (9) have typically presented the range of choice in service delivery models as between direct government provision, direct provision by non-profits, or some cooperative arrangement between the two such as government contracting for services as a third party. While vouchers and other in-kind approaches have been discussed, the implications of use of these methods in relation to the proprietaries has not been explored. Kahn's second edition of SOCIAL POLICY AND SOCIAL SERVICES (10) devotes four pages to the issues in choosing between public, voluntary and proprietary delivery structures noting government's responsibility to set standards and be accountable for public dollars, but concluding that all things being equal, the choice between public, non-profit and proprietary providers should be based on "best-buy" or economy

* 3/86 conversation with Neil Gilbert, 6 states 1986 editions present content on proprietary sector.

and efficiency considerations. For the most part available social policy texts including recent works, such as Jansson's THEORY AND PRACTICE OF SOCIAL WELFARE POLICY (11),the second edition of Morris's SOCIAL POLICY OF THE AMERICAN WELFARE STATE (12) or Mayer's excellent POLICY AND PROGRAM PLANNING: A DEVELOPMENTAL PERSPECTIVE (13) devote almost no space to discussion of issues relating to for-profit provision in the the public-voluntary-proprietary debate. Gilbert's CAPTALISM AND THE WELFARE STATE: DILEMMAS OF SOCIAL BENEVOLENCE(14) appears to be the only book devoted to the issue at present. It is to be hoped that, future social policy texts, both graduate and undergraduate, will devote chapters specifically to this major shift in the American social welfare system and its implications for social welfare, for delivery of social services, and for the social work profession.

The periodical literature is also sparse to date in discussion or analysis of the impact of proprietary sector growth. The main contributors have been Gilbert, Kahn, Reichert and Kamerman. (15). The SOCIAL SERVICE REVIEW, ADMINISTRATION IN SOCIAL WORK, and THE SOCIAL WELFARE FORUM have the best record for publications on the issue to date, with at least two articles each in the last 10 years. Insights can also be gleaned from studies which present comparisons between proprietary and other delivery models: such materials in the fields of child welfare, day care, and nursing home care have also appeared in several journals. (16)

SIGNIFICANCE OF PROPRIETARY SECTOR GROWTH

There appear to be a number of factors which help to explain the present explosion of for-profit involvement in social services delivery:

1. Increased government financing of services for persons previously unable to purchase them for themselves The concept of "effective demand" applies here.(17)

2. New middle class markets for services previously consumed only by poor people. This applies to increased demand for day care, nursing homes and family counselling services among others.

3. Societal values and the prevailing economic philosophy. The capitalist ideology espoused by this society creates preference for least government, and maximum use of the private for-profit sector in providing services. Under both the Nixon and Reagan administrations social welfare has moved in this direction (but future administrations could reverse the trend).

4. Public dissatisfaction with the quality, effectiveness and efficiency of existing public and voluntary services has created a willingness to experiment with alternative delivery models

With respect to the expanding need and demand for social welfare services the United States is similar to western European counterparts. But unlike these nations our national values and ideologies cause us to resist socialized models of government provided services. Instead, what seems to be developing in social services is a "mixed economy" model of proprietary, non-profit and public provision with similarities to what exists in the health care sector.

EXAMPLE: THE MIXED ECONOMY OF HEALTH CARE

The health care field provides a useful exemplar for teachers of social policy since it is a service delivery sector with strong market penetration and complex interactions between

proprietary, nonprofit and governmental structures.

Since the 1950's hospitals and other health related enterprises have experienced continuous rapid growth and expansion. Between 1950 and 1982 the national health expenditures increased more than 25 fold, reaching $322 billion per year. During the same period, the health sector increased its share of the GNP from 4.2 to 10.5 percent. Additionally, the health care field accounted for one seventh al all new jobs created during the 1970's.(18) Health care is now the fifth largest industry in the United States.(19) The nation's health care system (or non-system) consists of a confusing network of institutions and services which have evolved over time without central or comprehensive planning. Services are provided variously by the proprietary sector, the voluntary non-profit sector and the government. What follows is a brief overview of the roles played by each.

The for-profit sector accounts for most of outpatient medical care through the 80% of physicians in private practice, a large portion of the health insurance field, the pharmaceutical industry, the medical equipment and supply field, 75% of all nursing homes, close to half of all psychiatric hospitals and in recent years a growing proportion of general hospitals. Proprietary firms are currently expanding rapidly into hospital management and home health services (an area of growing need and reimbursement). Additionally, the national chains of proprietary providers of health related

institutional care are broadening their horizons beyond health care to include institutional care in the child welfare and correctional fields, among others.

In spite of the strength of the for-profit sector, the nonprofits are still powerful and influential. The stronghold of the voluntary non-profit sector in health has traditionally been the community hospital, to which 53.5% of the 6127 community hospital members of the American Hospital Association belong. The voluntary sector also operates specialty and long term hospitals, hospital based outpatient clinics, community health clinics, HMO's, home health services and a minority of nursing homes. Additionally such public health agencies as the American Cancer Society, American Lung Association and Planned Parenthood are run under non-profit auspices. National associations of health care professionals such as the American Medical Association and the American Nursing Association are non-profit as are organizations such as the American Hospital Association, the Joint Commission on Accreditation of Hospitals, and the National Society of Hospital Social Work Directors. Another major role for the non-profits is in the production of health manpower through private colleges and universities, and the training of health specialists in hospital based programs.

Local, state and national levels of government are all involved in direct provision of health care, as well as financing, and the regulating of care. Forty two percent of all national health expenditures in 1984 were paid by government (20), and 35% of

short term hospitals are government operated(21). In addition to direct services, which includes military and veterans health facilities, government is responsible for public health, and is the primary source of financing for medical research and a major source of financing for health manpower education. Additionally standards, regulations, and licensing relating to medical care, medical institutions, and health manpower are the province of government.

An interesting study of the differences between non-profit and for-profit hospitals was conducted by Rushing, who concluded that economic criteria are most important in for-profit decision making, while nonprofits are influenced by a a wider variety of criteria. Hospital operations differed in that non-profit hospitals had a richer staff/patient ratio than the forprofits, and proprietaries' daily charges were positively associated with community wealth, while nonprofits' daily charges were not affected by this factor.(22)

The complex interrelationships between the three sectors is well illustrated by community hospitals. A typical community hospital is non-profit in status and governance, but functions primarily to support the activities of its attending physicans, most of whom are self-employed entrepreneurs. Both hospital and physicans receive a major portion of their income from public third party sources, primarily Medicare and Medicaid, and function in an environment increasingly regulated by government. Further, it is not unusual for find non-profit hospitals who have

contracted out portions of their service, such as the emergency room or psychiatric unit to specialized for-profit corporations. In some cases non-profit chartered hospitals and even publically owned hospitals contract the management of the entire institution to for-profit enterprise which may in turn subcontract parts of its operation to other businesses or even to non-profit management companies.

In such an environment a blurring of distinction between non-profit and for-profit takes place. It is generally conceded in the health field that as differences blur, the new hybrid institutions operate in a manner more like proprietary structures than nonprofits.

By examining the health care sector, we can see that the potential for complicated, confusing interrelationships that blur distinctions between the for-profit and other sectors has barely been tapped in the social welfare field. While health care represented a larger component of for-profit interests (in physicians and pharmaceuticals for example) than ever existed in social welfare, both fields have experienced rapid growth of proprietaries in service delivery over the last twenty years. The trend is more advanced and developing more rapidly in health care however, and bears watching for developments which may be similar in social welfare. Developments in both areas will be influenced by federal and state government interest in regulation and standard setting, and by trends in commitment (or lack of commitment) to central planning.

UNDERSTANDING THE ISSUES

1. DEFINING TERMS

A. PRIVATE SECTOR

The literature in social welfare traditionally distinguishes between public or government roles and private sector involvement. Until a few years ago, "private sector" almost always referred to organizations with private non-profit status, also known as the "voluntary" sector. As proprietary providers have entered the scene they have been lumped into the private sector along with the non-profits and in some cases discussed as if they are the same entity, or as if the proprietaries are a minor aberration, a fly in the greater ointment of the voluntaries.

According to Morris, the "voluntary" or non-public sector includes four kinds of structures for service delivery:

1. traditional non-profit agencies
2. proprietary agencies providing similar services
3. social programs financed by industry for its employees
4. the family as a primary service provider (23)

In addition a fifth type of structure can be identified as:

5. consumer operated self help organizations (24)

B. PROPRIETARY (FOR-PROFIT)

A lack of clarity and agreement about what is included in the for-profit sector is also contributing to confusion. The three major for-profit delivery structures appear to be:

a. private businesses operated for-profit, such as

proprietary nursing homes, day care centers, or residential institutions for children

b. private practice by licensed or certified professionals following the medical model of entrepreneurship.

c. social services provided to employees by industry

Some authors discuss only the first two, others such as Kamerman, include the third category, (25) While provision by all three of these structures is growing, each is stimulated by some different as well as some common instigators, and an attempt to understand recent developments merits separate consideration of each.

2. DELIVERY SYSTEM CHOICES

The proprietary sector as a mode of social welfare delivery can be seen as an addition to the repertoire of available structures in the present mixed economy of social welfare, or as a threat to traditional models of social welfare delivery. To date evidence is inconclusive as to how well the profitmaking structures function in comparison with public and non-profit alternatives with regard to quality and cost. Considering the diversity of services offered, clientele served, financing arrangements, and local environments it seems likely that no one form of delivery (for profit, government or nonprofit) will be found to be universally superior for the provision of all kinds of services and benefits. Kahn suggests that when a new publically financed social service is to be launched, it is probably advantageous for government to open the field for bids from both non-profit and proprietary agencies

in addition to developing projections of costs for operation under government auspices. He concludes that, all other things being equal, "that agency should be selected - public, nonprofit, voluntary or proprietary - that offers the community the best buy."(26)

Gilbert provides additional criteria, suggesting that there may be specific conditions under which one kind of provider is superior to another. The assumption is that for-profit providers may be less attentive to quality and humanitarian concerns than non-profit or government providers, and thus services delegated to them may need to be more strictly regulated (evidence that this may be true is as yet only impressionistic). The following list paraphrases Gilbert on the conditions of service under which for-profit structures are more likely to be acceptable choices:

1. Standardization of Service
2. Potency of Public Regulation
3. Client Competence
4. Voluntary Participation (27)

Delivery of a highly standardized, quantifiable product (such as transportation services) is seen as more easily monitored and evaluated and thus more suitable to delegate to the forprofits than other more individualized and unique services (such as counseling abusive families). Services delivered in an environment of close government regulation and oversight are also seen as a safer bet for proprietary delivery. The competent

client who is voluntarily receiving the service or benefit is believed to be more capable of assessing the quality of service and thus less vulnerable to abuse and exploitation. Thus, using Gilbert's criteria, local distribution of Food Stamps or subsidized home insulation would meet the above four criteria and might well be provided through the for-profit sector if it offered the "best buy". Delivery of court ordered institutional care for disturbed homeless persons would not meet the above criteria and would be viewed as a high risk situation for involvement of the less accountable proprietaries.

Hybrid type organizations, such as the hospital structures described above, which encompass elements of all three structures (public, nonprofit and proprietary) create additional issues in choosing a delivery system. The blurring of differences between the types of structures makes choices less clear for policy makers and practitioners. Kamerman notes that "the interpenetration of public and private sectors has reached such a level that it is often impossible to distinguish one from the other."(28) Traditional assumptions about the commitments and philosophies of the various sectors break down when policy makers are confronted by these hybrids, making evaluation of them as potential delivery systems difficult.

CHALLENGE TO ETHICS AND VALUES

The ethical and values issues raised by the intrusion of the market into social services delivery seem to be almost unexplored to date. While professional ethics questions seem to

be the most pressing, questions of individual and organizational ethics are also critical.

Reichert calls our attention to the long standing ambivalence of the social work profession about proprietary approaches, noting "the sharp discrepancy between strenuous NASW efforts to promote fee-for-service private practice in social work and the strong NASW social policy position calling for replacement of the fee for-service-system in medicine by a 'more rational, organized, and efficient system of health care delivery.'"(29)

Others have questioned the appropriateness of market approaches for delivery of non-market benefits from a values perspective. Rubenstein et al state that:

> "We ...conclude that human social welfare services must be perceived and developed not through the economic process of the capitalistic marketplace but...in the 'context of a benefit allocation mechanism functioning outside the marketplace'.
>
> We are not in agreement that the complexities of our democratic society and its problems call for ...a pluralism of service that is inclusive of the proprietary role. To the contrary, we find proprietary social services to be deficient, discriminatory, and dehumanizing. Social welfare services for profit is neither humane nor social..."(30)

This argument, focussed on the residual definition of social welfare, does not address the the parallel and growing system of social services which are provided within the market system rather than outside of market criteria, such as day care paid for by the consumer.

A helpful review of the ethical issues for social

workers is provided by Joseph, focussing on the neglected field of the ethics of organizations, which takes on increasing importance with the growth of the proprietaries. Joseph also highlights the importance of the teaching of ethics in the social work curriculum. (31)

IMPLICATIONS FOR THE SOCIAL POLICY CURRICULUM

The following five points are an attempt to highlight some of the most pressing issues for the teaching of social policy instigated by the growth of the proprietary sector in social welfare provision.

1. Content on Proprietary Auspices
Social policy texts and curricula need to include specific content on this dimension of choice in addition to discussions of public and nonprofit auspices. The proprietary sector should be included in theoretical and conceptual models for social policy as soon as there is sufficient understanding to make this feasible.

2. Standardization of Terminology
Lack of consistent usage of terms such as private, voluntary, and proprietary has been a problem to date, as has use of terms such as privatization which has been used both to mean growth of nonprofit providers, and growth of proprietaries. Gilbert's term "commercialization" may be a useful one to make this differentiation. "Mixed Economy" as a descriptor is gaining in popularity in the United States and seems useful.

3. The Health Care System as an Exemplar
The structure and financing of the health care delivery system provides important insights for anticipating future trends and developments in social welfare.

4. Assessing the Choices in Delivery Structures
Development of further empirical, theoretical and ethical understanding related to making choices between the three auspices is needed, including study of the blurred or hybrid type organizations that are not recognizably public, nonprofit or proprietary in structure or style.

5. Universalism vs. Selectivity
This important dimension of choice in social policy may be impacted in as yet unforeseen ways by proprietary sector growth. An unintended consequence may be opportunities for

social integration of services and elimination of two tiered delivery systems in spite of a government committed to residual approaches.

In addition to the above, there are two areas of need (spurred by proprietary growth) for additional empirical, conceptual and theoretical development to support the social work curriculum at a more general level.

1. Need for Descriptive and Comparative Studies
More accurate and detailed data is needed on for-profit services, particularly in comparison to other structures. Additionally studies of the extent and types of social work involvement in the various proprietary arrangements is needed.

2. Ethics and Values
This area deserves a much larger role in social work education generally, not just in the social policy curriculum. The uniqueness, diversity and complexity of our profession today and the rapidly changing service environment calls for a reexamination of our professional mission and values, and a review of the way we equip our students to deal with the moral, ethical and values questions they will encounter in the field.

SUMMARY

The rapid growth of for-profit structures in the delivery of social services creates a challenge for teachers of social policy, since traditional conceptual and theoretical models in social policy assume non-profit or government auspices for delivery structures. While reliable data is not yet available on the extent of social work employment in for-profit organizations, as employment in this area increases it is important for social work students to be knowledgeable about the issues related to auspices (public, nonprofit and proprietary) in the provision of social services.

This paper presents a review of the issues related to the growth of the proprietary sector in social services

from the perspective of the social policy curriculum and the learning needs of social work students. A lack of content related to proprietary auspices is noted in both classic and current social policy texts and in current periodicals.

Factors which have contributed to growth of the proprietary sector in social welfare in recent years are outlined, and the health care sector, where the trend toward a "mixed economy" of service delivery is more advanced, is briefly described and suggested as an exemplar for social policy teaching in this area. Ethical and values concerns raised by the growth of proprietary services are briefly highlighted. Implications for the social policy curriculum and for the social work curriculum generally are drawn on the basis of the above review.

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